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Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

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June 12, 2012

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

RECOMMENDATIONS FOR PROPERTY TAX PROJECTION (ITEM NO. 74, AGENDA OF MAY 15, 2012) (ALL) (THREE VOTES)

SUBJECT

The property tax assessed valuation forecast (roll forecast) is used to develop property tax revenue projections during the budget process, and should be enhanced through creation of an interdepartmental Property Tax Projection Workgroup comprised of representatives from the Chief Executive Office, Assessor and Registrar-Recorder.

IT IS RECOMMENDED THAT THE BOARD:

1. Direct the Chief Executive Officer to form and chair a Property Tax Projection Workgroup and include representatives from the Assessor and Registrar-Recorder.
2. Direct the Workgroup to produce property tax roll forecast estimates in December, February, and May each year, to be incorporated in the Chief Executive Officer's revenue projections as part of the development of the Recommended and Final Changes Budget phases.
3. Direct the Workgroup to do a sunset review every three years to determine if the Workgroup is still needed.

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PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

At the May 15, 2012 Board of Supervisors meeting, the Board requested that the Chief Executive Officer (CEO) report back in 28 days with recommended options for creating a team or workgroup that is responsible for property tax roll forecast estimates that are used for revenue projections in the County. We were asked to consider representation from the CEO, Assessor, Auditor-Controller (A-C), and Treasurer and Tax Collector.

Composition of the Workgroup

To avoid the appearance of a conflict of interest and focus primarily of forecasting, we believe that the workgroup should include representatives from the CEO, Assessor and Registrar-Recorder and exclude the A-C and Treasurer and Tax Collector. The A-C should retain its independence, in the event a future audit or review of property tax estimates is required. However, A-C's Property Tax and Accounting Divisions' personnel may be consulted for tax roll calculation or allocation information. In addition, the Treasurer and Tax Collector will not be included as a regular member of the workgroup, but may be requested to provide presentations on property tax payment trends.

The workgroup should also include participation by "subject matter experts", including various other County personnel and external resources as needed each year. Supervising appraisers from the Assessor's regional offices should be given the opportunity to review and comment on the valuation assumptions used in the forecast. Economists and private sector real estate industry experts may provide valuable insight. The workgroup may also want to consider use of an outside consulting firm (however, it should be noted that an outside firm will still be dependent on the accuracy of the data gathered by the Assessor's office).

It is anticipated that this workgroup will be needed for the next several years until the real estate market returns to more stable, normal conditions. A sunset review process should be instituted every three years to determine if this workgroup should be continued.

Process Improvements

During the Board meeting on May 15, 2012, a consulting firm, Rosenow Spevacek Group, Inc. (RSG), obtained by the A-C, provided their review of the latest Assessor's Fiscal Year 2012-13 Assessed Value Roll Forecast. RSG suggested that adjustment factors used in the estimates should be developed and applied on a smaller, more regional basis, rather than a countywide basis. In this manner, changes to individual

neighborhoods or "clusters" of properties will be more accurately reflected. The Assessor's Office has indicated that they will handle adjustments more regionally in the future.

The Assessor's Office is also implementing other improvements to their assessment process. The use of computer emulation has allowed the Assessor to quickly reassess a large volume of similar properties, such as tract homes, in a short time period. Other types of properties require Assessor staff to make individual calculations, because the properties may have unusual attributes or are otherwise not appropriate for the computer emulation process. The Assessor plans to have his executive team review the work of each group in the Assessor's Office to validate the assumptions and mathematical calculations. Historical data will also be used for comparative purposes.

Consistent with the A-C consultant recommendations, in the future Assessor staff will include more recent market data in the analysis. While the recent data may not have been "scrubbed" yet, it will be reviewed to see if the data reveals any trends or affects the valuation ranges. The A-C consultant also recommended that data be reviewed by price ranges, not just regions or neighborhoods.

Preliminary forecasting work for the next annual budget should be started in the summer, shortly after assessments are finalized each year. The preliminary forecasts should project a range of anticipated property tax roll forecast growth factors, from which revenue assumptions can be made. These factors should continue to be refined in the following December, February, and May time periods, consistent with the phases of the Recommended and Final Changes budget.

The Assessor indicated that they are preparing a corrective action plan for the Board which will discuss these and other improvements.

Implementation of Strategic Plan Goals

The interdepartmental Property Tax Projection workgroup supports the Strategic Plan goals of Operational Effectiveness and Fiscal Sustainability through interdepartmental collaboration and improved revenue projections used in the annual budget process.

FISCAL IMPACT/FINANCING

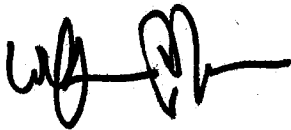
The proposed property tax roll forecast process will be implemented using existing County resources and should result in more accurate revenue projections used in the annual budget process.

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IMPACT ON CURRENT SERVICES

Creation of an interdepartmental Property Tax Projection workgroup to collaborate on the property tax roll forecast is anticipated to improve the accuracy of property tax projections, which will benefit the County and all agencies within the County during the annual budget development process.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:EFS:SK
JW:MM:yjf

c: Executive Office, Board of Supervisors
County Counsel
Assessor
Auditor-Controller
Treasurer and Tax Collector

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